

President's Commission on the United
States Postal Service
1120 Vermont Ave, NW, Suite 971
Washington, DC 20005-3523

May 30, 2003

Dear Commissioners:

The Neopost Group extends its gratitude to the commissioners for the important work they have undertaken in seeking a vision for the future of the United States Postal Service (USPS). The impact the Postal Service has on thousands of businesses and millions of customers' dictates that the challenges facing the organization are thoroughly examined and strategies formulated to ensure its health in the 21st century.

Founded more than 70 years ago, the companies comprising the Neopost Group are the fastest growing providers of mailing, logistics and document handling products in the world. Neopost Group is a major player in the United States mailing industry and has a strong presence in the five largest global markets, investing proportionately more of its resources into R&D than any of its competitors.

Neopost Group has two U.S. subsidiaries, Neopost Inc. and Hasler, Inc, which are authorized by USPS to lease postage meters to licensed users. Each has had longstanding and rewarding business relationships with USPS. The 138,000 postage meters used by customers of Neopost Inc. and the 128,000 postage meters used by customers of Hasler, Inc. collect over \$5 billion in postage revenues for the USPS each year. The two companies each have a sales network of more than 500 persons. Their sales people are in daily contact with users of the mail and between their direct sales offices and independent dealers provide services to the entire United States.

The Neopost companies in the United States, Neopost Inc. and Hasler, Inc., have worked cooperatively with postal Headquarters to assure its goal of increased meter revenue security through the application of digital technology. The cost savings and revenue protection of these new technologies will benefit both the Postal Service and its customers. Digital technology in postage meters also provides the platform for adding intelligence to the mail and thereby allowing for the provision of value-added services.

While we are proud and excited about the future of Neopost Inc. and Hasler, Inc. in the United States, their success, and the success of a large segment of the American economy, is closely linked to the growth and relevance of the nation's mail system. None of the stakeholders involved can afford to let the most extensive physical delivery network in the world drift into financial failure. Such a loss would have an incalculable impact on all concerned.

As each of you review the voluminous data and comments that have been submitted to the commission, Neopost Group appreciates your close examination of the Postal Service's own *Transformation Plan*. Postal leadership has already implemented an array of cost cutting measures and service enhancements. These actions, coupled with the recent passage of legislation affecting how USPS funds the Civil Service Retirement System, will help stabilize the organization in the short term. But substantive long-term structural changes are needed. The service's plan includes actions necessary to ensure a viable future Postal Service.

Our comments will briefly focus on two areas: selected actions outlined in USPS' plan and our own recommendations for helping its financial position.

As we know you have already done, examining the components of the *Transformation Plan* is important in assessing what strategies you will articulate in your final recommendations. There are two aspects of the plan we think deserve special attention:

- UNIVERSAL SERVICE

The Postal Service's 225-year history is grounded in providing universal mail service to all its citizens at an affordable rate. The challenges inherent in this obligation have become increasingly difficult as the number of households grow, currently exceeding well over a million new delivery points annually. Moreover, the array of communication channels available into today's marketplace threatens the premise of mail service for everyone, everywhere. Nevertheless, Neopost Group believes the original charter of the Postal Service "to bind the nation together" is as important today as when first established. We ask the commissioners to consider creative ways to enable the Postal Service to enhance its traditional mail services and provide it additional flexibility so as to help offset the costs of serving all Americans. The heart of the Postal Service is embodied in universal service and business opportunities need to be explored that will permit its continued existence.

- REGULATORY CHANGE

The foundation of any regulatory change should focus on providing the postal services that are core to USPS' basic mission, specifically, the collection, sorting, and delivery of letters and parcels at affordable rates. Permitting the Postal Service to develop and market products and services far afield from its current service offerings will likely draw managerial expertise away from its fundamental mission, and in the process antagonize segments of the private sector who view such action as government sponsored competition. If regulatory change does not provide USPS a clear, simple mandate, its ability to transform itself into a new entity will be hampered by this continued criticism. Neopost Group thinks that much can be achieved by enhancing the current value of mail. If this untapped potential is realized the success of the organization can be assured. Moreover, we believe these goals may best succeed through the creation a Commercial Government Enterprise. Such an Enterprise appears to offer the service the opportunity to change into a more responsive, customer oriented entity while continuing to provide universal service. Any structural and

service changes should be made to mirror accepted industry standards and norms that will be in the best interest of fair choice and customer satisfaction.

As past debate on postal reform has demonstrated, the passage of any regulatory legislation presents a formidable challenge. However, an endorsement by the commissioners would advance the cause significantly. The operational flexibility inherent in a government enterprise structure--albeit one focused on enhancing traditional services--would provide postal management with the ability to guide the organization toward financial and service success while reducing the possibility of an eventual return to government subsidies.

Additionally, we think there are two short-term strategies that USPS could employ by working with Neopost Inc, Hasler, Inc. and other interested parties:

- CREATE COLLATERAL SALES FORCES & SERVICE PARTNERSHIPS

Each day the more than 500 persons in the Neopost Inc. sales network and 500 persons in the Hasler, Inc. sales network visit postal customers in all industry categories. These individuals provide solutions to problems with mail preparation, addressing, logistics, postal budget control and other issues encountered in the mailroom environment. These daily contacts build trust among our customers that we not only sell mail-processing equipment but also provide innovative ideas to help grow their businesses. We think USPS should capitalize on the existing relationships established by this talented group of men and women by viewing them as an untapped sales force for its products and services. Currently, however, there is little incentive for our team to spend time in this arena. We propose that Neopost Inc. and Hasler, Inc. train – with USPS’ assistance – its sales forces to act as agents for the sale of postal products and services. We suggest that high contribution products such as Priority Mail, Delivery Confirmation and other targeted service offerings identified by USPS be given special emphasis. To ensure the success of such a venture, Neopost Inc. and Hasler, Inc. would work with the Postal Service to create a commission pay structure to act as an incentive for their sales personnel.

This proposal is not intended to be limited to Neopost Inc. and Hasler, Inc. We would look forward to working with other interested parties in establishing a fee structure that would compensate any third party that was capable of selling postal products. We encourage the commission to examine the potential of a collateral sales force that would assist the Postal Service in improving its financial position.

In a related area of financial incentives, we think every opportunity should be explored in designing postage rates that channel customers toward using the most cost-effective technologies in preparing mail prior to its entry into the mailstream. USPS has a successful history in this field and building on that success is critical in controlling future collection, processing and delivery costs. Examples of areas with even more potential cost savings and avoidance are address correction and metered mail enhancements, such as Intelligent Mail and a host of other related mail piece creation, entry and payment systems.

As a further consideration, enabling the creation of diverse service partnerships should be explored as a way to build USPS' core businesses. The American marketplace has much to offer USPS if given sufficient incentives. Today, market segmentation provides tailored products with greater return on investment by offering customers targeted solutions to business problems. USPS should take advantage of this market expertise. The cost of developing enhanced services can be jointly borne by the Postal Service and interested providers; participating parties and the public at large would benefit from this type of innovative thinking.

- **APPROVE CREDIT CARD PAYMENT FOR ALL PRODUCTS AND SERVICES**

For the past several years the Postal Service has accepted credit card payment for some products and services at its post offices. The introduction of this payment system was widely hailed by customers as an important service enhancement and convenience factor. Moreover, the use of credit cards often increased the amount of a given window transaction over the use of cash. In short, it placed USPS among mainstream companies in how goods

and services are paid for in today's economy. However, USPS has not chosen to extend this convenience for payment of postage that is used in meters. Customers of Neopost Inc. and Hasler, Inc. repeatedly ask why this feature has not been extended to them. Additionally, the use of credit cards for permit imprint mail is precluded by regulation. The use of credit cards for payment of all goods and services should be adopted. Security and accountability can be built into any system using credit cards and we ask that this form of postage payment be given attention in your analysis of payment systems.

- SUMMARY

The Neopost Group thinks the business model USPS ultimately adopts should center on its core mission of delivering letters and parcels. We believe there is significant opportunity to build on the current value of mail and a vital part of that growth can occur through the continuance of universal service. We do not think there is a benefit in permitting the Postal Service to embark on product offerings that are not directly connected to improving the value of mail. And we think that regulatory change along the lines of a Commercial Government Enterprise makes good business sense.

The Neopost Group will continue to work closely with USPS to maintain a healthy postal system. It is not only in our interest but also in the best interest of the nation for all the stakeholders to pursue this goal. We again thank the commissioners for your important work and look forward to your recommendations.

Sincerely,

Patrick Nangle,
COO, North America & Japan
Neopost Group